

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



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OFFICE OF THE
EXECUTIVE SECRETARY

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

May 17, 1999

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Chattanooga Gas Company
Actual Cost Adjustment Audit
Docket No. 98-00776

Dear Mr. Waddell:

On May 13, 1999, the Energy and Water Division filed its Report on the Actual Cost Adjustment Audit of Chattanooga Gas Company for the year ended June 30, 1998. Upon further review of the report it was noted that Findings #27 and #28 did not print on page 6 of the Summary of ACA Findings. Therefore, attached is a corrected page 6. The total of \$(1,806,995.72) in ACA findings remains correct.

Sincerely,

A handwritten signature in cursive script, appearing to read "Laura J. Foreman".

Laura J. Foreman
Energy and Water Division

/ljf99-79

VII. ACA FINDINGS

As previously stated, the Company's Actual Cost Adjustment filing dated October 5, 1997, reflected a net under-collection of gas costs from customers for the year ended June 30, 1998, of \$2,985,682. The net effect of the Staff's findings, which are detailed below, reduce the under-collection by \$1,806,996 to \$1,178,686. The Company has responded to the majority of the Staff's findings by stating that the Company will "adjust the ACA schedule and its general ledger accordingly." As the Staff has discussed with the Company in prior audits, any adjustments to the ACA should be held in abeyance by the Company until the final ACA report has been issued by the Authority. In the month following the issuance of the audit report, the Company should then record, in the current ACA, all adjustments required to comply with said audit findings.

SUMMARY:

FINDING #1	Pipeline Refunds	Procedural
FINDING #2	Inventory	no effect
FINDING #3	Inventory	no effect
FINDING #4	Inventory	no effect
FINDING #5	Inventory	no effect
FINDING #6	Billing	Procedural
FINDING #7	Commodity Accrual	\$ 11,452.16 under-recovery
FINDING #8	Commodity Accrual	(172.14) over-recovery
FINDING #9	Demand Accrual	(74.55) over-recovery
FINDING #10	Commodity Accrual	197.57 under-recovery
FINDING #11	Commodity Accrual	671.44 under-recovery
FINDING #12	Demand Accrual	(254.28) over-recovery
FINDING #13	Commodity Accrual	(29.45) over-recovery
FINDING #14	Commodity Accrual	(1,269,540.34) over-recovery
FINDING #15	Commodity Accrual	21.49 under-recovery
FINDING #16	Commodity Accrual	49.66 under-recovery
FINDING #17	Demand Accrual	(9.64) over-recovery
FINDING #18	Commodity Accrual	24,345.48 under-recovery
FINDING #19	Commodity Accrual	1,280.55 under-recovery
FINDING #20	Demand Accrual	(2,944.00) over-recovery
FINDING #21	Commodity Accrual	95.64 under-recovery
FINDING #22	Commodity Accrual	(9,077.24) over-recovery
FINDING #23	Commodity Accrual	(2,061.00) over-recovery
FINDING #24	Commodity Accrual	73.96 under-recovery
FINDING #25	Commodity Accrual	(677,984.00) over-recovery
FINDING #26	Commodity Accrual	5,441.14 under-recovery
FINDING #27	Commodity Accrual	(33,952.82) over-recovery
FINDING #28	Commodity Accrual	(12,629.22) over-recovery